

[REDACTED]

CERTIFIED MAIL

[REDACTED]

SEP 12 1991

Dear Sir or Madam:

We have considered your application for exemption from Federal income tax as an organization described in section 501(c)(6) of the Internal Revenue Code.

The information submitted indicates that you were incorporated under the laws of the State of [REDACTED] on [REDACTED]. Your primary purpose as stated in your Articles of Incorporation is to share and exchange information among various investment managers who utilize the portfolio system, [REDACTED].

Your activities include providing a quarterly newsletter for the membership and holding an annual meeting to exchange ideas, discuss problems, investigate new products and services as they may relate to your business.

Income is from dues. Expenses are for board meetings, newsletters, legal, banking, and postage.

Membership is open to such persons/corporations which utilize as a portfolio accounting system the software [REDACTED] and other such persons interested in exchanging information on computerized portfolio accounting systems.

Section 501(c) of the Internal Revenue Code describes certain organizations exempt from federal income tax under section 501(a) and reads, in part, as follows:

"(6) Business leagues, chambers of commerce, real-estate boards of trade, or professional football leagues, whether or not administering a pension fund for football players not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Section 1.501(c)(6)-1 of the Income Tax Regulations provides, in part, as follows:

"A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

In Revenue Ruling 74-147, 1974-1 C.B. 136, holds that a nonprofit organization, whose members represent diversified businesses that own, rent, or lease digital computers produced by various manufacturers, and that is organized to improve the efficiency of its members use of computers, qualifies for exemption under section 501(c)(6) of the Code. The common business interest of the members is their common business problem concerning the use of digital computers.

Revenue Ruling 83-164, 1983-2 C.B. p. 95, holds that an organization whose members represent diversified businesses that own, rent, or lease computers produced by a single computer manufacturer does not qualify for exemption from federal income tax as a business league under section 501(c)(6) of the Code. Membership in the organization is made up primarily of representatives of diversified businesses that own, rent, or lease one or more computers produced by "M". The organization holds conferences at which operational and technical problems relating to computer use are discussed. Also, some representatives of "M" attend and disseminate current information relative to M's equipment.

Although both of the above described organizations have a common business interest concerning the use of computers, the organization in Revenue Ruling 74-147 directs its activities to users of computers made by diverse and competing manufacturers, which the organization in Revenue Ruling 83-164 directs activities to users of computers made by one manufacturer.

Because it limits its activities to the users of "M" computers, the organization helps to provide a competitive advantage to "M" and to its customers at the expense of its competitors and their customers that may use other brands of computers. Therefore, its activities are not directed towards the improvement of business conditions in one or more lines of business within the meaning of Income tax regulations 1.501(c)(6).

Your organization is similar to the organization described in Revenue Ruling 83-164, in that, your activities are directed toward the improvement of one type of software called [REDACTED].

[REDACTED]

It is therefore concluded that you do not qualify for tax exempt status as an organization described in section 501(c)(6) of the Code; you are required to file Federal income tax returns on Form 1120.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office, or if you request, at any mutually convenient District Office. If we do not hear from you within 30 days from the date of this letter, this determination will become final.

Sincerely yours,

[REDACTED]

District Director

Enclosure: Publication 892